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July 12, 2021

The Honorable Miguel Cardona
Secretary
U.S. Department of Education
400 Maryland Ave SW
Washington, D.C. 20202

Dear Secretary Cardona:

Last week, the Pennsylvania Higher Education Assistance Agency (PHEAA) announced it will end its 12-year loan servicing arrangement with the U.S. Department of Education (Department).¹ While this announcement raises a number of questions, my concerns rest primarily with how this will impact the 8.5 million borrowers currently being serviced by PHEAA.

While the news that PHEAA will not accept its contract extension is significant, it is unsurprising; last year, the Utah Higher Education Assistance Authority also exited from federal student loan servicing.² These decisions reflect the increasingly complex and challenging arrangement the Department has with its contractors. For several years, servicers have requested comprehensive guidance to ensure they understand and meet the expectations of the Department and to better serve borrowers. Rather than providing this guidance, their concerns were recently dismissed as an “excuse” by the Office of Federal Student Aid’s (FSA) Chief Operating Officer, Mr. Richard Cordray, who is ultimately responsible for the outcomes of borrowers.³ FSA should be a true public-private partnership that puts borrowers needs first. But in order to do that, FSA needs a true leader, not an inexperienced partisan that ignores and bashes the agency’s critical partners.

¹ <https://www.pennlive.com/news/2021/07/pas-student-aid-agency-to-end-its-role-as-a-federal-student-loan-servicer.html>

² <https://www.forbes.com/sites/adamminsky/2020/10/22/major-student-loan-servicing-change-will-impact-1-million-borrowers/?sh=299170d858fe>

³ <https://www.washingtonpost.com/education/2021/06/11/cordray-lays-out-loan-servicing-plans/>

PHEAA plays an integral role in the federal student loan program. As such, I expect the Department has a plan in place to ensure a smooth transition of PHEAA's operations and for the borrowers they serve. Given your commitment to transparency at our recent Committee hearing,⁴ we request answers to these questions no later than July 16, 2021:

- When will borrowers begin their transition to an alternative servicer, and when will they be notified about this transition?
- How will the Department decide where to transition PHEAA's borrowers?
- PHEAA is currently the primary designated servicer by the Department to manage the Public Service Loan Forgiveness (PSLF) and TEACH Grant programs.
 - What is the Department's plan for carrying out these responsibilities or transitioning them to an alternative federally contracted servicer(s)?
 - How will the Department leverage PHEAA's institutional knowledge of the PSLF program to ensure the program's operations are not disrupted?
 - Given the complexities of the PSLF statute and therefore the operation of the program, including tracking qualified payments, what administrative expenses will be incurred by the next student loan servicer(s) tasked with administering this program?
- Are you aware of any other student loan servicers that plan to reject a contract extension offered by the Department? If so, how will the Department address the concerns of servicers planning to exit?

Please contact Chance Russell (chance.russell@mail.house.gov) of the Committee staff should you have any questions about the request. We look forward to your reply on this critical issue.

Sincerely,



Virginia Foxx
Ranking Member
U.S. House Committee on Education and Labor

⁴ <https://edlabor.house.gov/hearings/06/16/2021/examining-the-policies-and-priorities-of-the-us-department-of-education>